REMARKS

This Amendment Under 37 C.F.R. §1.116, is in response to the final Office Action mailed October 21, 2005.

In the final Office Action claims 14 and 38 are rejected under 35 U.S.C. §112, first paragraph for allegedly failing to comply with the enablement requirement. Reconsideration and withdrawal of these rejections are respectfully requested.

Claims 14 and 38 recite:

> **... wherein the secure computer site is configured to keep an existence of and access to the first letter of credit from the drawee of the draft.**

In support of the rejection, it is respectfully submitted that the Examiner mistakenly states that "a seller (i.e. drawee) engaged in a commercial transaction with a buyer (i.e. drawer) using Applicant's system has knowledge of such a letter as the seller relies on Applicant's system to guarantee payment (Specification, page/line 52/7, 53/17)." At the outset, the pagination indicated by the Examiner does not appear to correspond to Applicant's copy of the originally-filed application.

Nevertheless, as explicitly stated in the specification in the paragraph bridging pages 58 and 59:

> **The seller (drawee of the draft) preferably does not view, have access to or knowledge of the iLofC™; rather, the capability of the buyer for payment is evidenced by the buyer's FSP making a payment promise that is contingent on delivery and acceptance of the involved goods (and other factors as agreed between buyer and seller). The seller then has the FSP's promise to pay and may ship the goods accordingly, without even knowing the buyer's identity and his or her creditworthiness (or his or her address, according to the provisions of co-pending and commonly assigned US patent application ...). In this manner, the seller need not know anything about the buyer, but for the buyer's ability to pay for the requested goods and/or services through the iDraftC™ mechanism and/or transparently through the iLofC™ mechanism described herein. (Underlining for emphasis only)**

Note that the above passage specifically states that the seller has no knowledge of the claimed iLofC™. Instead, al that the seller has is the buyer's FSP payment promise (that may be contingent upon delivery and acceptance of the goods). It is the FSP's (e.g., the bank's) promise to pay that the seller is relying on, and not the buyer or the buyer's promise – as the seller may not even know the buyer's identity or creditworthiness. Note also that the above passage clearly states that the seller need not know anything about the buyer, but for the buyer's ability to pay (guaranteed by the FSB) through the iDraftC™ mechanism and/or transparently through the iLofC™ mechanism. These passages, Fig. 9 and the examples outlined in the specification provide more than ample enablement for the subject matter of claims 14 and 38.

In the "Response to Arguments/Amendments" portion of the outstanding Office Action, the Examiner states that the "Applicant's system does not provide a system structure or process that would, in essence, keep the letter secret." In that regard, the Examiner's attention is drawn to Fig. 9 and the corresponding written description thereof beginning at page 59, line 10. Note that the iDraftC™ and iLofC™ are mechanisms and agreements that are entered into between the drawer (buyer) and his or her FSB (e.g., bank). What the seller gets is the FSB's promise to pay, backed by the FSB's creditworthiness. How the FSB and the buyer negotiate and set up debiting a drawer account and crediting the drawee (FSB's) account is a matter between the FSB and the drawer – the seller is not involved. In the claimed embodiment, this mechanism is via the claimed draft and the claims letter of credit for at least a portion of the payment to be released. How, when and on what terms the drawer settles with the FSB is a matter of prior agreement between them, which is an agreement to which the seller is not a party. The seller only knows that he or she will get paid, because the FSB guarantees it, as long as the claimed predetermined terms are satisfied (such as delivery of the goods by seller and acceptance thereof by buyer, for

example). Reconsideration and withdrawal of the 35 U.S.C. §112(1) rejections of claims 14 and 38 are, therefore, respectfully requested.

Claims 1-23 are rejected under 35 U.S.C. §112, second paragraph for indefiniteness. The Examiner has, in essence, advanced that claim 1 had a chicken and egg problem "According to the claim, a drawer creates a letter of credit with conditions where the credit can only be extended if the conditions are met. However, the claim uses language *satisfaction of the terms* which implies that the terms have yet to be satisfied and therefore no credit has been extended." Reconsideration and withdrawal of these rejections are respectfully requested, for the following reasons.

As the Examiner will note, claim 1 has been amended as follows:

> **...creating a first online letter of credit linked to a drawer of the draft and including predetermined terms, satisfaction of the terms being a precondition to the financial service provider ~~extending credit to the drawer~~ releasing any payment from the created first online letter of credit;**
>
> **authenticating each party to the draft seeking access the secure computer site to a satisfaction of the financial service provider, and**
>
> **releasing payment on the draft to a drawee of the draft upon satisfaction of the predetermined terms, ~~an optional~~ at least a portion of the released payment originating from the ~~credit extended to the drawer through the~~ created first online letter of credit.**

At the outset, the language of the claims has been clarified to specify that the satisfaction of the terms (of the created first online letter of credit) is a precondition to the FSB provider releasing payment from the created first online letter of credit. Therefore, in amended claim 1, creation of the letter of credit is a separate issue from the FSB releasing payment thereon. First, the online letter of credit is created. Then, payment thereon may only be released when the predetermined terms (for releasing payment – not for creation of the letter of credit) are satisfied. The claim has been amended to make this distinction clear, and the Applicant's representative

thanks the Examiner for pointing out this ambiguity. Reconsideration and withdrawal of the 35 U.S.C. §112(2) rejections are, therefore, respectfully requested.

On page 2 of the outstanding Office Action, the Examiner points out that the claim merely recited a "representation of the draft" and not the draft itself. As the Examiner will note, claim 1 has been amended to more clearly recite:

> **establishing a secure computer site that shows ~~includes a representation of~~ the draft, the site being controlled by a financial service provider and accessible only to authenticated parties to the transaction;**

Therefore, the secure computer site is now recited to show the draft which, it is believed, effectively addresses the Examiner's concern in that regard.

Regarding the definition of a draft, the present application unambiguously states, at page 16 beginning at line 17:

> **Using generally accepted legal terms, a draft is a written order by a first party, called the drawer, instructing a second party, called the drawee, to pay money to a third party, called the payee. In terms of e-commerce and the present invention, the Web seller may be thought of as the payee, the Web buyer may be thought of as the drawer and the financial institution, such as the bank, may be thought of as the drawee.**

It is respectfully submitted that, relative to the present application and claimed embodiments, this definition controls – and not the definition appearing in the Office Action. As the Examiner is aware, it is now black letter law that Applicant may be his own lexicographer (citations omitted).

Likewise, the present application provides the controlling definition for "Letters of Credit", as stated on page 55, beginning at line 20:

> **A letter of credit generally refers to an engagement by a FSP to honor drafts and/or other demands for payment upon satisfaction of all terms and conditions (previously agreed upon between the FSP and the depositor) in the credit.**

Further characteristics of both drafts and letters of credit according to the present inventions may be found in the drawings and written portion of the specification.

Turning now to the art rejections, claims 1-43 are rejected under 35 U.S.C. §103(a) as being unpatentable over Abecassis (U.S. Patent No. 5,426,281) in view of Ogilvie (U.S. Patent No. 6,343,738).

Based upon the Examiner's most helpful comments in the paragraph bridging pages 3 and 4 of the outstanding Office Action, the Examiner's interpretation (prior to the present amendment) was that no credit (presumably through the claimed letter of credit) had been extended, because of the apparent "chicken and egg" problem discussed above. However, it is believed that claim 1 now more clearly separates the creation of the first online letter of credit from the releasing, by the FSB, of payments thereon upon satisfaction of the predetermined terms. The claimed predetermined terms, therefore, are tied not to the creation of the letter of credit, but to the FSB releasing payment thereon.

Claim 1 has also been amended to specify that at least a portion of released payment originating from the created first online letter of credit. That at least a part of the payment originates from the created first online letter of credit is no longer "optional" (see middle of page 3 of the outstanding Office Action." In so doing, it is believed that claim 1 and its dependent claims have been distinguished from the applied combination.

Independent Claim 1

Ogilvie appears to have been relied upon exclusively for a teaching of authenticating parties to an escrowed transaction. Abecassis does not teach or suggest even the first recited step of amended claim 1:

establishing a secure computer site that shows ~~includes a representation of~~ the draft, the site being controlled by a financial service provider and accessible only to authenticated parties to the transaction;

Indeed, Abecassis does not teach or suggest the establishment of a secure computer site that shows a draft, as required by claim 1. In the paragraph bridging pages 2 and 3 of the outstanding Office Action, the Examiner points to the card 20 and the check 35 of Fig. 1A as corresponding to the claimed draft. However, Fig. 1A is not a secure computer site that shows the draft as required by claim 1, but Figs. 1A and 1B are disclosed to be "schematic diagrams representing hardware and process overviews", as stated at Column 4, lines 35-36. Abecassis relies upon a deposit center 40 that is accessible by telephone or by a Point of Sale (POS) terminal, as well as credit or deposit cards and /or deposit slips to identify the parties. A limit verification system validates the transaction (See Abecassis, Col. 6 and 7). As taught by Abecassis, the buyer deposits money in an escrow account after the transaction date but prior to the delivery date for the goods purchased by means of a deposit card and a deposit slip. The buyer may access the escrowing means to control the automatic payment of the amounts deposited into the escrow account to the seller.

The Examiner points to the Abstract, Fig. 1A, and to col. 5, line 65 to col. 6, line 35, for a teaching of such a secure computer site. However, no secure computer site is disclosed or suggested by these passages (or by the remainder of the applied reference), and no computer site is disclosed or suggested in Abecassis that shows the draft. Even a broad interpretation of Abecassis does not support an interpretation wherein this reference teaches a secure computer site that shows the draft, and particularly the recitation that the site is "controlled by a financial service provider and accessible only to authenticated parties to the transaction." The combination of Abecassis in view of Ogilvie, therefore, cannot teach or suggest any such establishment of a

secure computer site that shows the draft, whether the parties to an escrowed transaction are authenticated or not.

Amended claim 1 then continues to recite a step of:

> **creating a first online letter of credit linked to a drawer of the draft and including predetermined terms, satisfaction of the terms being a precondition to the financial service provider ~~extending credit to the drawer~~ releasing any payment from the created first online letter of credit;**

The Office points to col. 8, lines 17-40 for a teaching of such creating step. This passage is sufficiently short as to be reproducible here:

> **If the deposit set condition exists, then at step 203, the "delivery-by-date" condition or any other condition suitable to the successful completion of the transaction is identified by the buyer/seller. The delivery date is then tested for validity at step 2031. If the user-entered date of delivery precedes the current date, or if the delivery date exceeds pre-set system tolerances (e.g. longer than 20 years), then a flag is set, and the user is informed of the invalid date entry at step 2032. Entry of a date 203 is then repeated until validity is indicated.**
>
> **As previously noted, date of delivery need not be the only condition set at step 203 or tested at steps 2031, 2032. For example, a user can specify seller performance as a condition, or define performance parameters that have to be met first before purchaser acceptance exists and payment of the escrowed deposit is tendered. The present invention anticipates that any preconditions for a third party transaction can be programmed at step 203 in order to condition later payment. Unlike the delivery-by-date, some preconditions will disable the automatic payment features of the system and require the active participation of the buyer to affect payment of the deposit.**

There is no teaching or even remote suggestion of the creation of an online letter of credit, and much less the creation of a letter of credit according to the claimed step. Indeed, the passage excerpted above merely sets forth a number of conditions (such as delivery date or seller performance) that must be met for the payment to the seller to be effectuated. Neither this passage nor the remainder of Abecassis teaches or suggests the creation of a letter of credit linked to the drawer of the draft. Therefore, Abecassis in combination with Ogilvie does not teach or suggest the claimed subject matter. At most, the applied combination might suggest that authenticated parties (as taught by Ogilvie) might set conditions that must be satisfied for the

payment in the underlying transaction to be effectuated (as taught by Abecassis). However, such does not rise to the level of a teaching or a suggestion of the letter of credit creation step, alone or the claims as a whole.

Claim 1, as amended, further continues:

> **releasing payment on the draft to a drawee of the draft upon satisfaction of the predetermined terms, ~~an optional~~ at least a portion of the released payment originating from the ~~credit extended to the drawer through the~~ created first online letter of credit.**

As the Abecassis/Ogilvie combination has been shown to lack any teaching or suggestion of a letter of credit, the applied combination cannot fairly be said to teach releasing payment of the draft, at least a portion of the released payment originating from the created first online letter of credit.

It should be noted that Abecassis appears to be limited to the situation wherein a third party holds the amounts to be transferred between the parties in escrow and releases the funds when the conditions set by the parties to the transaction have been satisfied. It should also be noted that the claimed invention is not limited to the escrow situation that forms the basis of the Abecassis system and that the payment, according to the claimed embodiments, need not be released to an independent third party as they must be in the Abecassis system. According to the present embodiments, the bank or financial institution that controls the claimed secure computer site is the bank of either the buyer or the seller. In this manner, the confidential information of the parties to the transaction need not be shared with a third escrowing party, as they must be in Abecassis. The parties' bank(s) already have this information and have a fiduciary relationship with their depositors, which relationship imposes a great many restrictions on their behavior and specific duties of confidentiality. The parties' bank(s), therefore, are uniquely placed to carry out the claimed inventions, without involving third escrow parties, as required by Abecassis.

The applied combination of references, therefore, does not teach or suggest the subject matter of claim 1 and that of its dependent claims. Reconsideration and withdrawal of the rejections under 35 U.S.C. §103(a), applied thereto, are, therefore, respectfully requested.

Independent claim 24

Independent claim 24 also recites a step of:

> **establishing a secure computer site that shows ~~includes a representation of~~ the draft, the site being controlled by a financial service provider and accessible only to authenticated parties to the transaction;**

As discussed in detail relative to claim 1 (with which amended independent claim 24 shares the first claim step), Abecassis does not teach or suggest the establishment of a secure computer site that shows the draft and that is controlled by a financial service provider (e.g., a bank). Although Ogilvie may teach authentication of buyer and seller, the applied combination cannot be said to teach or to suggest the establishment of a secure computer site controlled and accessible as claimed herein. Again, none of the passages identified by the Examiner teach or suggest any form of a computer site, whether controlled and accessible as claimed or not. Attention should be directed to the Office's own guidelines on establishing a prima facie case of obviousness:

> **To establish a *prima facie* case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art and not based on applicant's disclosure. *In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991). See MPEP § 2143 - § 2143.03 for decisions pertinent to each of these criteria. (Underlining added for emphasis)**

In the present case, not only is a reasonable expectation of success absent, but the combination would utterly fail to teach or to suggest all of the claim limitations, as developed above. At the very least, the combination does not teach or suggest establishing the claimed secure computer site, thus failing the test for obviousness. The Office's interpretation of Abecassis to include a teaching of a secure computer site as claimed when the reference itself is silent on the issue is believed to be untenable.

Claim 24 then continues:

> **creating a first online performance bond, the first online performance bond defining one of first liquidated damages to be paid to a drawer of the draft upon non-performance of the drawee and second liquidated damages to be paid to a drawee of the draft upon non-performance of the drawer;**
>
> **authenticating each party to the draft requesting access to the secure computer site to a satisfaction of the financial service provider, and**
>
> **carrying out one of the steps of:**
>
> **releasing payment on the draft to a drawee of the draft when both drawer and drawee perform;**
>
> **paying the first liquidated damages to the drawer upon non-performance of the drawee or upon occurrence of a first event; and**
>
> **paying the second liquidated damages to the drawee upon non-performance of the drawer or upon occurrence of a second event.**

The Office, in its rejection of claim 24 and its dependent claims, simply asserts that "performance bonds are old and well known." However, the claimed embodiment of Applicant's invention is not simply a performance bond. Instead, the claim recites that each party requesting access to the established secure computer site is authenticated and the method requires that the payment be released when both parties perform, or that the first or second liquidated damages as defined in the created online performance bond be paid upon the occurrence of first or second events, respectively. The applied combination of references does not teach or suggest the creation of any such computer site that shows the draft, the creation of an online performance bond or carrying out one of the three listed steps upon occurrence of the specified events, as claimed.

For example, the passage in Abecassis cited in the Office Action as being relevant to the claims, at col. 6, lines 8-35 is reproduced here:

> **The overall function of the deposit protection center 40 is to process inputs provided from the communications equipment 100, verify credit-related information on that equipment, such as a user PIN number, determine the purchaser's deposit limit, debit the deposit account and then process and send payment once there is a determination that the transaction has been successfully completed (i.e. by successful delivery of goods to purchaser).**
>
> **The deposit center can be implemented by one or several computers or other suitable logic devices that are connected to modems to the communications equipment 100 and that include substantial memory capacity. The computer also connects to an escrow source that is adapted to automatically credit and debit designated accounts based upon inputs to the center 40. As previously mentioned, the computer(s) forming center 40 also may interface with electronic credit card systems, such as illustrated in Nagata et al., U.S. Patent No. Re 32,985 which is incorporated herein by reference through the credit management third party linkage 45. In addition, or alternatively, the linkage 45 can integrate center 40 with conventional electronic banking systems, such as that disclosed in Case, U.S. Pat. No. 4,270,042, the disclosure of which also is incorporated herein by reference. Details relating to the operation of center 40 as well as the other hardware elements is provided below in FIGS. 2-5.**

The deposit protection center 40 is never disclosed to include or establish a secure computer site that shows the draft or that is controlled by the financial service provider, nor is the deposit protection center 40 of Abecassis ever disclosed (in this passage or in the remainder of the reference) to carry out any step of creating an online performance bond or ever carrying out a step of paying first or second liquidated damages (defined in the created online performance bond), as specifically claimed herein. Reconsideration and withdrawal of the obviousness rejections applied to claims 1-43 are, therefore, respectfully requested.

Applicant believes that this application is now in condition for allowance. If any unresolved issues remain, please contact the undersigned attorney of record at the telephone number indicated below and whatever is necessary to resolve such issues will be done at once.

Respectfully submitted,

Date: Jan 25, 2006 By: _____

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